



ECONOMIC AND DEMOGRAPHIC ANALYSIS OF MONTANA

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Prepared by



Access & Excellence

**Center for Applied Economic Research
1500 University Drive
Billings, MT 59101
(406) 657-2217
caheath@msubillings.edu**

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For the Plan Year Beginning April 1, 2004**

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OVERVIEW

The purpose of the Economic and Demographic Analysis is to provide current data and analysis for two primary uses: first, for the Department of Commerce in preparing Montana's Consolidated Plan and in preparing the Annual Action Plan; and second, for communities and other organizations that apply for federal funds from the HOME Investment Partnerships (HOME) and Community Development Block Grant (CDBG) programs for housing projects, public facilities, and economic development activities. This data may also be useful to other entities wishing a statewide or county level analysis of economic, demographic, and housing trends.

The entire report or sections of the report can be obtained by contacting the Montana Department of Commerce HOME program at (406) 841-2820, or downloaded from the following websites:

http://commerce.state.mt.us/Housing/Hous_ConsPlanappls.html

<http://msubillings.edu/caer/realestate.htm>

VOLUME I – ECONOMIC PROFILE

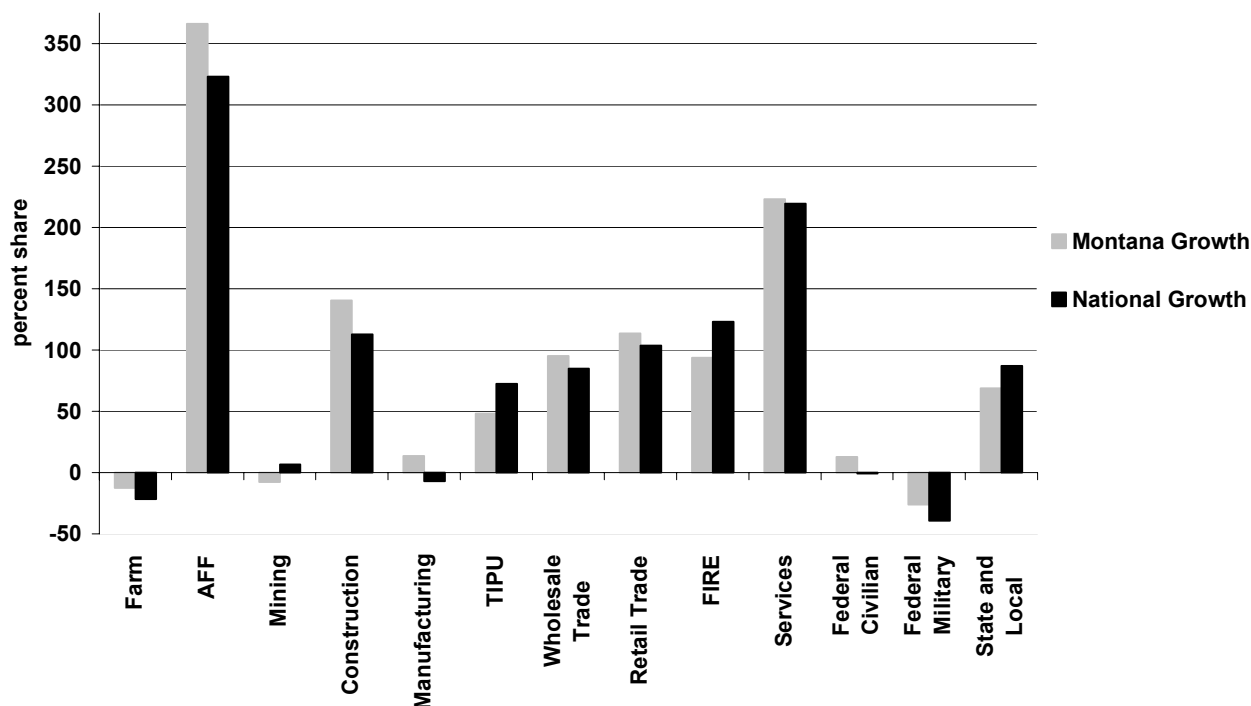
Volume I presents and analyzes economic data by county for Montana including income and poverty data from the U.S. Census Bureau, employment, earnings and income data from the U.S. Bureau of Economic Analysis, and labor force statistics from the Montana Department of Labor and Industry and the U.S. Bureau of Labor Statistics.

In 2001, Montana's per capita personal income (PCPI) was \$24,044, ranked 46th in the United States, and was 79% of the national average of \$30,413. Per capita personal income is total income divided by total population. The 2001 PCPI reflected an increase of 4.7% from 2000, compared to the national increase of 2.2%. Preliminary statistics for 2002 show a PCPI for Montana of \$24,906, a 3.6% increase over 2001. For the United States in 2002, PCPI is estimated at \$30,832, a 1.4% increase over 2001. Back in 1969, Montana's PCPI ranked 35th in the U.S.; it has been below 40th since 1984.

Based on earnings by industry, the largest industries in 2001 were services (27.7% of total earnings), state and local government (14.9% of total earnings) and retail trade (11.3% of total earnings). Of the industries that accounted for 5% or more of total earnings in 2001, the slowest growing from 2000 to 2001 was federal (civilian) government (0.6% average annual growth rate) and the fastest growing was state and local government (11% average annual growth rate). For the period from 1991 to 2001, the slowest growing industry was transportation, information and public utilities (3.5% average annual growth rate) and the fastest growing was finance, insurance and real estate (8.6% average annual growth rate).

Overall, the Montana economy has become more diversified over the past decade, shifting toward the agriculture, forestry and fishery, construction, retail trade, and service industries and away from mining. These shifts in the economy may cause Montana to respond more rapidly in the future to the changing economic conditions nationwide. The chart on the next page shows the rate of growth of the different industry sectors in Montana versus nationwide. The chart was prepared using data from the U.S. Bureau of Economic Analysis (BEA).

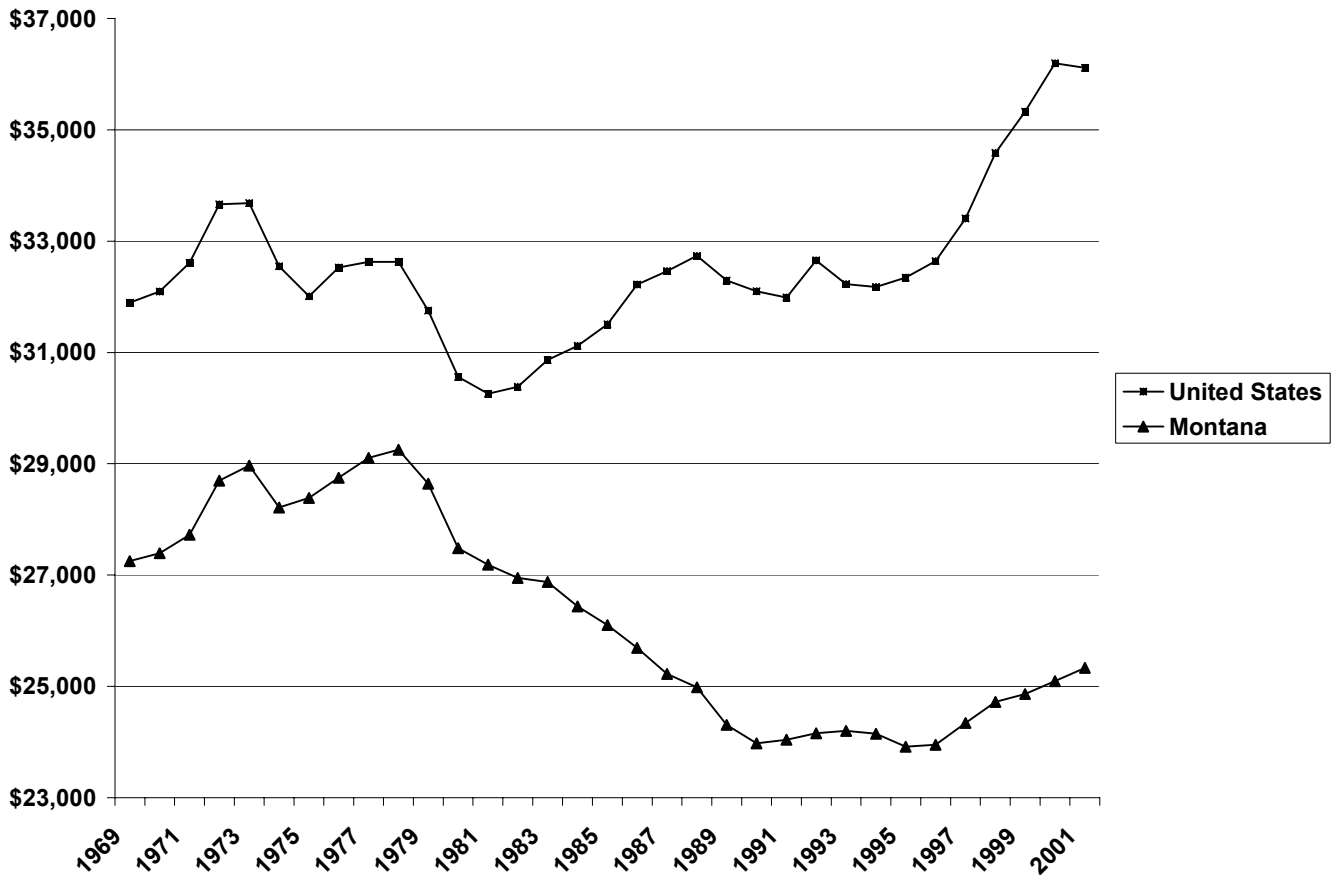
**Montana Growth vs. National Growth
by Sector
1969-2000**



Montana's unemployment rate has dropped one-third over the past decade; however much of the job growth and available jobs continue to be in low paying industries such as agriculture, forestry, and fishery, retail trade, and services. Some counties have enjoyed solid employment growth while some counties have continued to languish. Montana has an educated workforce, but many workers continue to be "underemployed". While the Montana Department of Labor and Industry estimates that the majority of Montana's jobs require a 2-year degree or less, 87.2% of all Montanans are high school graduates, 55.9% have at least some college, and 30.2% have an associate degree or higher. Many Montanans are overqualified for their job taking into consideration their level of education versus that required for the job. When experience and work-related skills are considered, more people become overqualified for their job.

Although the state's per capita personal income growth has outpaced the national average, it is still among the lowest levels in the nation. Unearned income sources continue to grow for Montana's families, and have grown three times faster than wage income. Much of the disparity in per capita income between Montana and the United States can be attributed to low wages and low paying industries in the State. The chart on the following page (data from BEA) compares the weighted average real (adjusted for inflation) wage rate for industries in Montana compared to the U.S. While Montana's wages were only 11% lower than the U.S. during the period from 1979 -1981 (which corresponds to the period that mining employment was at an all time high in Montana), they were 44% lower than the U.S. in 2001.

AVERAGE ANNUAL REAL WAGES PER JOB Montana vs. the United States 2002 Dollars



Although Montana's overall poverty rate has dropped over the past 12 years (128,355 persons in Montana were under the poverty level in 2000), in part due to the growth in unearned income and in part due to the growth in personal per capita income, the number of Montana's families in poverty has increased since 1990; from 19,833 families under the poverty level in 1990 to 25,004 families under the poverty level in 2000. The largest increases were seen in the married couple with children and the female householder with children categories. Based on Census 2002 data, higher poverty rates are concentrated along the Hi-line and in the eastern part of the state.

VOLUME II – DEMOGRAPHIC ANALYSIS

Volume II presents an analysis of demographic data by County for Montana. These statistics include 1990 and 2000 Census population data as well as current population estimates. Certain social characteristics are also examined such as gender, age and race, population living in group quarters, marital status, veteran status, and school enrollment. Detailed data on the disabled population in Montana is also presented in the Appendix.

Over the past 10 years, Montana's population density and growth was centered around the western part of the state. The eastern part of the state has seen a decrease in total population and an increase

in the elderly population as a percentage of total population. Unincorporated areas have grown 3 times faster than the incorporated cities and towns. Below is the population growth in incorporated cities and towns vs. unincorporated areas, which show more growth.

MONTANA POPULATION
U.S. Census Bureau

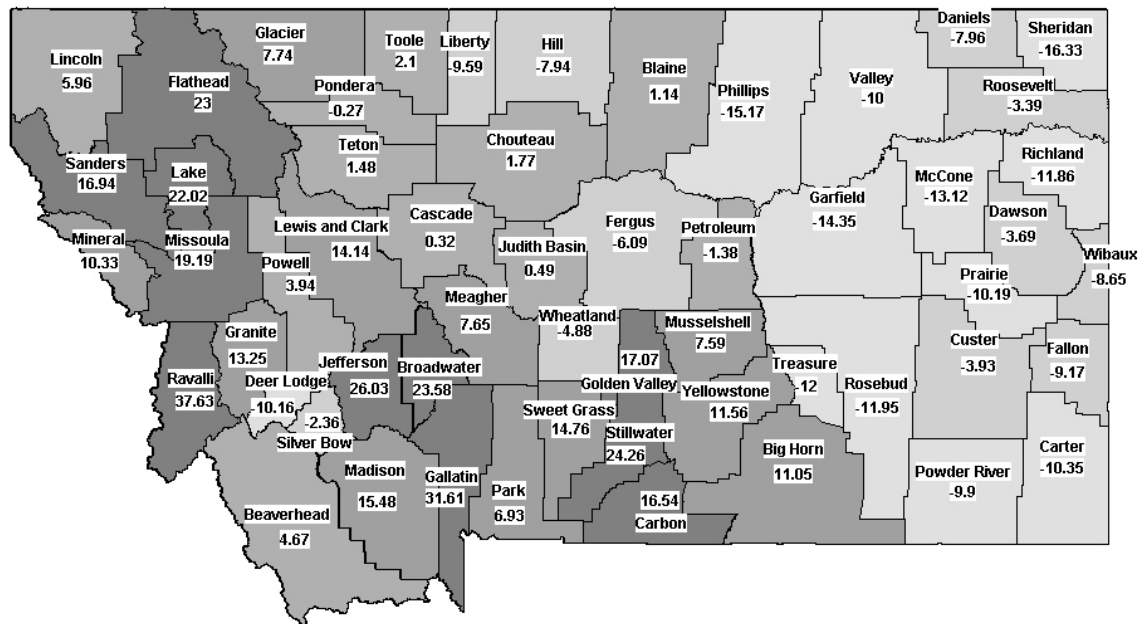
AREA	1970	1980	1990	2000	1970-2000 30-year growth rate	1990-2000 10-year growth rate
Incorporated Cities and Towns	427,850	437,273	453,884	484,384	13.2%	6.7%
Unincorporated Areas	266,559	349,417	345,181	417,811	56.7%	21.0%
TOTAL MONTANA	694,409	786,690	799,065	902,195	29.9%	12.9%

With much of the growth occurring in unincorporated areas, many of these areas may likely require major infrastructure improvements in the upcoming decades. The five fastest growing counties between 1970 and 2000 were Ravalli, Gallatin, Jefferson, Flathead, and Lake. Below is the population growth for these counties in the incorporated vs. the unincorporated areas:

County	Growth Rate 1970 - 2000		Overall
	Incorporated	Unincorporated	
Ravalli	74%	189%	150%
Gallatin	65%	210%	109%
Jefferson	-1%	169%	92%
Flathead	39%	125%	89%
Lake	40%	105%	84%

The map on the next page serves as further illustration of these growth patterns. The darker shaded counties have higher growth rates.

10-Year Growth Rate by County 1992-2002



Center for Applied Economic Research
Data from U.S. Census Bureau

The disabled population has a higher poverty rate and lower employment status than the general population. This, coupled with this population's special needs, makes it a challenge to provide safe, affordable housing for the disabled throughout the state. The appendix to Volume II provides detailed statistics of disability counts by county and cities with a population of 5,000 or more from Census 2000.

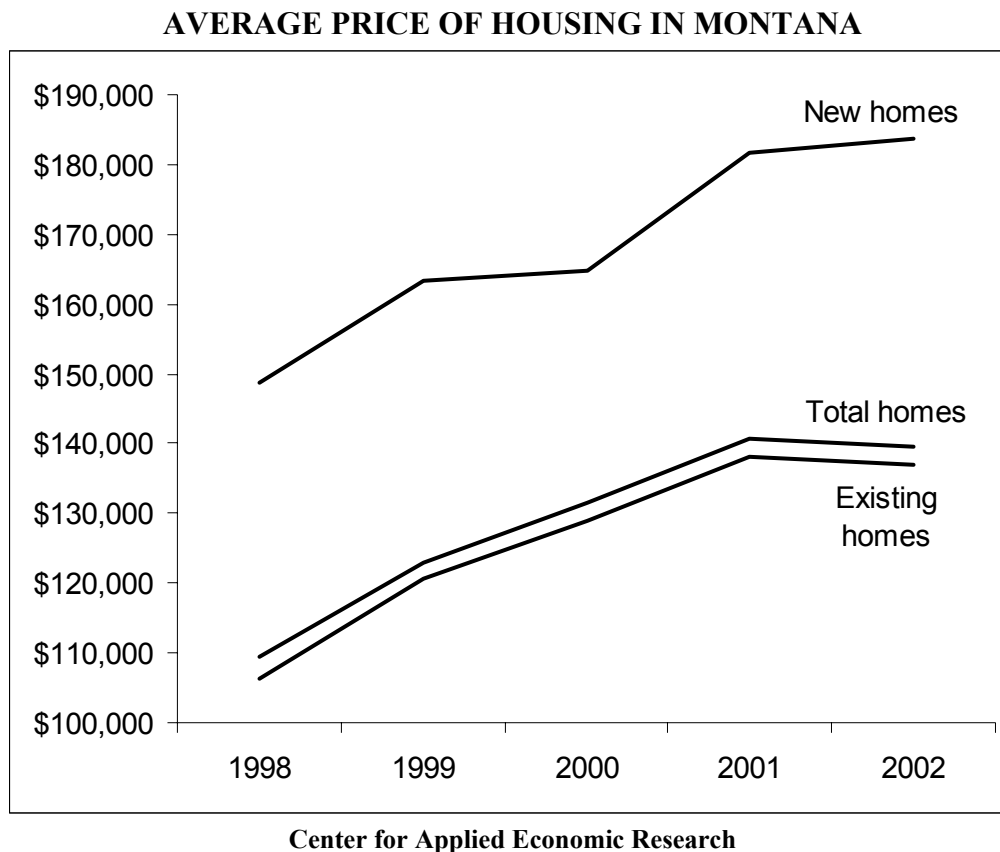
VOLUME III – HOUSING PROFILE

Volume III presents housing statistics by county for Montana using 1990 and 2000 Census data, including (a) the year the structure was built, (b) the number of units in structure, (c) the number of rooms per structure, (d) the occupants per room, and (e) number of structures lacking complete plumbing or kitchen facilities. Census 2000 homeownership rates are analyzed as well. The Census forecast of 2001 and 2002 housing units is also presented as well as historical new construction permit data and 2002 permit valuations. Current year data on total monthly housing costs are calculated including mortgage payment or rental payment, property taxes, insurance cost and utility costs. These costs are compared to median family income to determine affordability. Historical information on housing prices is presented as well.

Although one-unit detached homes (single-family, mobile, or modular home) still represent over two-thirds of the total housing units in the state, the largest increase in housing units from 1990 to 2000 was in the 1-unit attached category (townhouse or duplex with one common wall). Units lacking either complete plumbing or kitchen facilities decreased significantly over the same period, while units with more than 1.5 occupants per room (defined as extreme overcrowding) increased

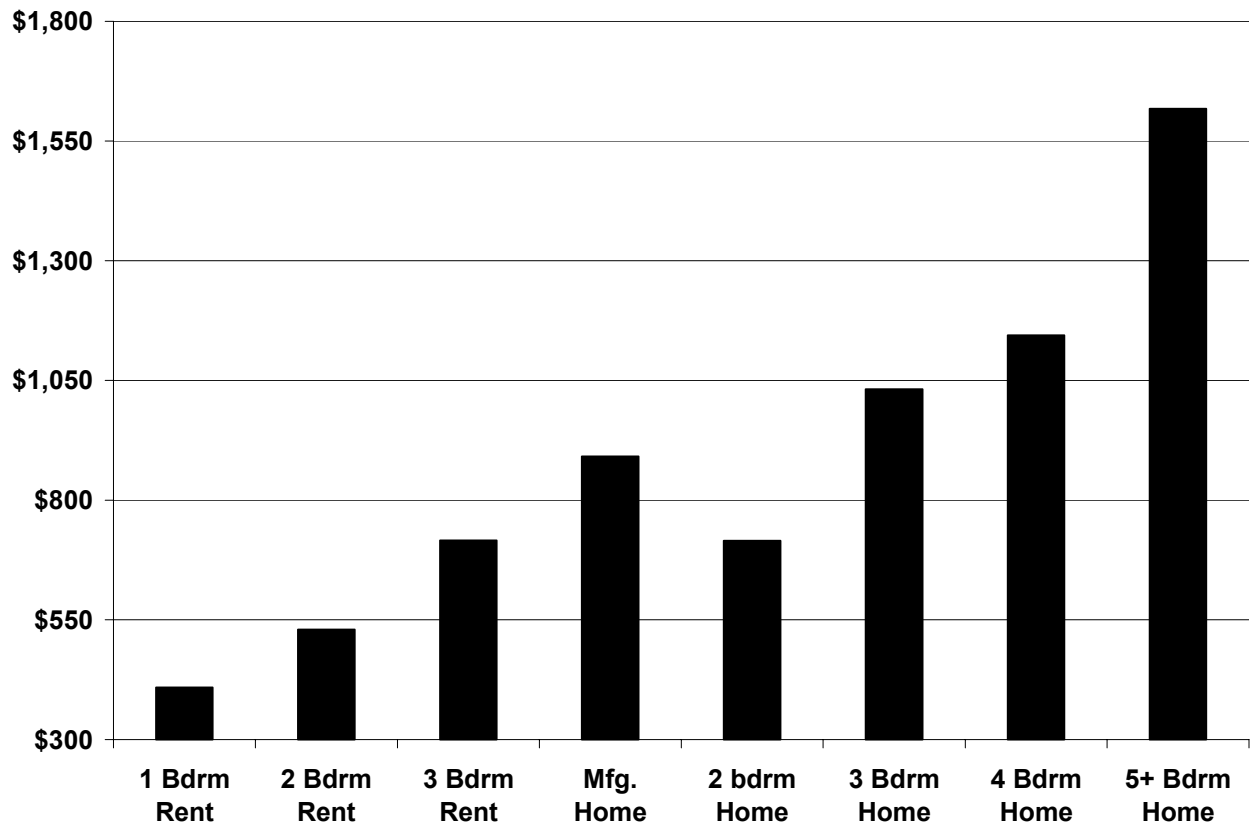
49.3%, or by 1,214 units from 1990 to 2000. Almost one-half of Montana's housing units were 31 years or older as of March 2000, and the median number of room were 5.3 per structure. Over the past 10 years, single family building permits were at a low in 1997, but have shown a high rate of increase since 2000; permits were at a high in 2002.

Although Montana's housing costs were below the national average in 2002, they are above the national average when calculated as a percentage of monthly household income. The rate of increase in housing costs as a percentage of monthly household income was three times the national increase between 1990 and 2000. The average sales price of homes in Montana is presented in the chart below.



During the period July to September 2003, data was collected on advertised for rent and for sale prices, finance, tax, and insurance rates, and utility costs. The monthly cost of housing in Montana was calculated for each county. The average costs for Montana for each housing category are depicted in the chart on the next page.

Average Costs for Renters and Homeowners September 2003



HUD sets income limits that determine the eligibility of applicants for assisted housing programs. HUD then calculates three income categories for a four person household:

1. 0-30% of median family income (the lowest income category);
2. 31-50% of median family income, which is defined as very low income; and
3. 51-80% of median family income, which is defined as low income.

HUD's definition of a cost burden is when at least 30%¹ of a household's monthly income is spent on housing costs, including utilities such as energy. HUD's definition of a severe cost burden is when 50% or more of monthly income is spent on housing costs.

Comparing these cost burdens thresholds to the monthly cost of housing we get a picture of housing affordability. As cost burdens are based on median family income for a family of four, these cost burden thresholds are compared to a 3 bedroom home, which would adequately accommodate a family of this size. If the monthly housing cost exceeds the cost burden threshold, a cost burden or severe cost burden exists, and housing is not affordable (i.e.: more than 30% or 50% of a household's income is spent on housing costs).

¹ HUD's 30% calculation has become standard practice. Many lenders prefer a ratio of 30% or less of income to principal, interest, insurance (property and mortgage) and taxes.

MONTHLY HOUSING COST			MONTHLY COST BURDEN THRESHOLD (30% of MFI)		
3 BDRM RENTAL	3 BDRM PURCHASE		0-30% MFI	31-50% MFI	51-80% MFI
Billings	\$902	\$870	\$369	\$614	\$983
Great Falls	\$780	\$1,013	\$320	\$534	\$854
Missoula	\$971	\$1,543	\$366	\$610	\$976
MONTANA AVERAGE	\$716	\$1,032	\$325	\$543	\$868

MONTHLY HOUSING COST			MONTHLY SEVERE COST BURDEN THRESHOLD (50% of MFI)		
3 BDRM RENTAL	3 BDRM PURCHASE		0-30% MFI	31-50% MFI	51-80% MFI
Billings	\$902	\$870	\$615	\$1,023	\$1,638
Great Falls	\$780	\$1,013	\$533	\$890	\$1,423
Missoula	\$971	\$1,543	\$610	\$1,017	\$1,627
MONTANA AVERAGE	\$716	\$1,032	\$542	\$904	\$1,445

Those numbers in the table above that are shaded and in bold italics, could not afford to rent or purchase a 3 bedroom unit without incurring a cost burden. Those numbers in the table above that are bold italics (but not shaded), could not afford to purchase a 3 bedroom unit without incurring a cost burden.

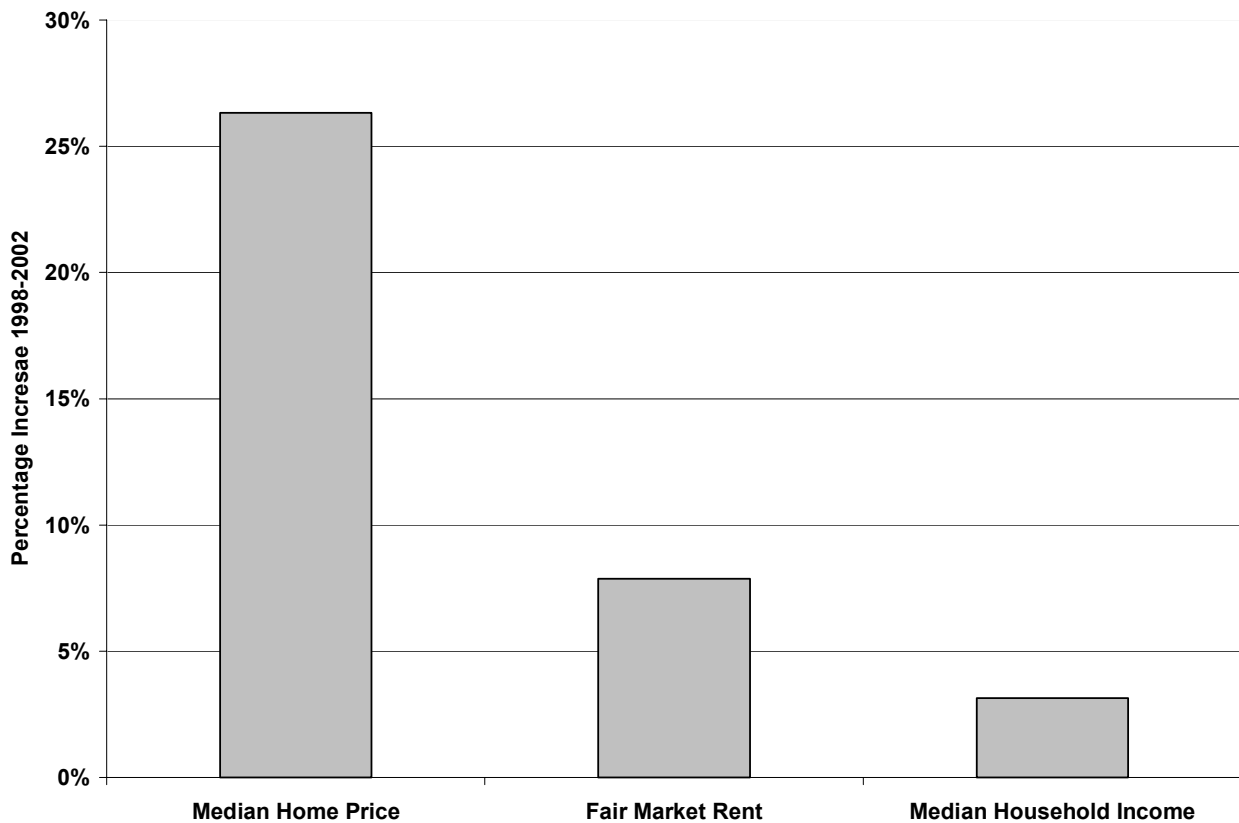
Affordability and attainability continue to be a concern for many households in Montana, not just low income families. Attainability considers whether a household is willing to pay up to 30% or more of its income for housing, and whether a household is able to obtain a 10% down payment or a rental deposit. The chart on the next page compares the increase in the median housing price² to the increase in fair market rent³ and finally the increase in median household income⁴.

² From Montana Board of Housing annual "Price of Housing in Montana" report.

³ HUD annual estimate; represents the amount where 60% of rents are above and 40% of rents are below for standard quality rental housing; includes utilities.

⁴ Three year average median income from the U.S. Census Bureau.

Percent Increase in Housing Price and Rental Rates versus Income in Montana 1998-2002



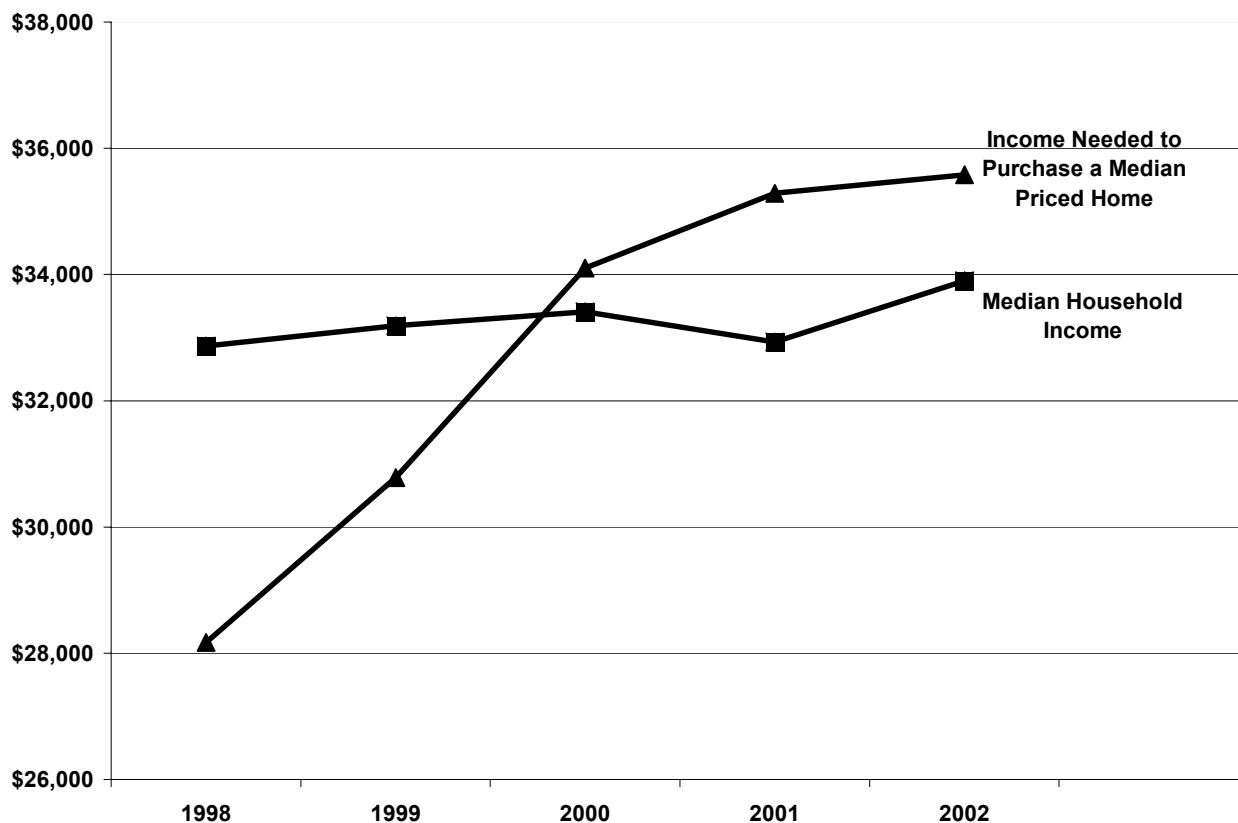
Clearly, the median home price, and to a lesser degree, fair market rent, have increased much more than median household income, bringing attainability into question. The median home price has increased 26% from 1998 to 2002; the fair market rent has increased 8%, and median household income has increased just 3%.

The income required to purchase a home has been calculated using the median home price⁵, the average interest rate (6.03%), closing costs (3.07% of purchase price), property taxes (.0113 per \$1 of value), insurance costs (.0063 per \$1 of value for homeowners insurance and .0065 per \$1 of value for PMI)⁶. Utility costs are not included for this analysis. The income required assumes a 10% down payment and 30% ratio of income to principal, interest, insurance and taxes. The down payment percentage and interest rate can change this calculation significantly. While interest rates have been historically low in the recent past, this has not always been the case. The lower interest rates have made homes more attainable for Montanans. Many loans allow a borrower to put down significantly less than 10%; however 10% is used for this calculation. Median household income is compared to the income required to purchase a home in the chart on the next page.

⁵ See footnote 2.

⁶ Per survey of bankers and insurance agents conducted in July 2003.

Median Home Price versus Median Household Income 1998 - 2002



While the income required to purchase a home was almost \$5,000 less than the median household income in 1998, required income has risen at a much faster rate than median household income, and has surpassed median household income since 2000. Thankfully, these two numbers have come closer together during the last year.

Clearly, an opportunity exists to promote housing incentives to both median income and low income households throughout the state of Montana.